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## United States Senate

COMMITTEE ON HEALTH, EDUCATION,  
LABOR, AND PENSIONS

WASHINGTON, DC 20510-6300

February 3, 2003

Mitchell Daniels  
Director  
Office of Management and Budget  
725 17<sup>th</sup> Street, NW  
Washington, DC 20503

Dear Director Daniels:

We are writing to express our strong concerns over the Administration's unprecedented plan to privatize the jobs of 850,000 federal employees – nearly half of the federal workforce. We have deep reservations about privatizing so much of the federal workforce, especially in the absence of a reliable and comprehensive process to determine the cost, quality and scope of the tens of billions of dollars of work already performed by private contractors.

First, we are concerned that OMB's controversial revision of OMB Circular A-76 will undermine public-private competition. Many jobs will be lost without an opportunity for federal employees to compete and demonstrate greater efficiency. The new policy will force agencies to privatize work without competition if agencies fail to meet arbitrary deadlines. With no new in-house resources, it is unlikely that agencies will be able to meet these deadlines. In addition, federal employees are rarely, if ever, allowed to compete for new work or work provided by contractors. As a result, federal employees will have few opportunities to compete fairly for federal work.

We urge you to ensure that no work is privatized without giving federal employees opportunities to compete, and that federal employees are given fair opportunities to compete for new work and work currently provided by contractors.

Second, we are concerned that even when there is competition, the new rules are biased in favor of contractors. The new process emphasizes the use of subjective factors at the expense of objective, cost-based criteria that lead to the best service for customers and the best price for taxpayers. Both cost and quality are essential factors and the competition process should reflect both. Using a process that is cost-based and quality-based ensures that agencies can acquire the services they want, at the quality they need, for the lowest realistic cost.

We urge you to prevent the privatization of the work performed by federal employees without the use of a fair, cost-based public-private competition process.

Third, federal agencies do not have a system in place to hold contractors accountable. There are no mechanisms for tracking the costs and the quality of service contracting. In fact, some agencies served by contractors today do not even know which services are being provided by contractors.

We urge you to ensure accountability by establishing reliable methods to track the cost and quality of work performed by contractors.

Fourth, the new process is likely to reduce the standard of living for thousands of Americans. Contractors have incentives to reduce costs by providing inferior compensation packages for those who perform government work, and displaced federal workers are likely to lose their jobs, their health care, and their security for the future. Good jobs with fair wages and opportunities for advancement become lower-wage jobs with no benefits and no security.

We urge you to establish objective measures for public-private competition that ensure fair wages and benefits.

Cost-based public-private competitions that explicitly take into account quality can be effective – if they are used responsibly for current work conducted by federal employees, current work provided by contractors, and new work; and as long as they are not used to undermine the pay and benefits of those who perform government work. The current privatization plan does not follow these guiding principles, and we urge you to correct its serious defects before it is implemented.

## Signatures

Senator Edward Kennedy (D-MA)  
Senator Joe Lieberman (D-CT)  
Senator Barbara Mikulski (D-MD)  
Senator Christopher Dodd (D-CT)  
Senator John Edwards (D-NC)  
Senator Patty Murray (D-WA)  
Senator Jeff Bingaman (D-NM)  
Senator Barbara Boxer (D-CA)  
Senator Byron Dorgan (D-ND)  
Senator Tim Johnson (D-SD)  
Senator Mark Dayton (D-MN)  
Senator Frank Lautenberg (D-NJ)  
Senator Maria Cantwell (D-WA)  
Senator Mark Pryor (D-AR)  
Senator Charles Schumer (D-NY)  
Senator Ron Wyden (D-OR)

Senator Tom Daschle (D-SD)  
Senator Daniel Akaka (D-HI)  
Senator Patrick Leahy (D-VT)  
Senator Jack Reed (D-RI)  
Senator Tom Harkin (D-IA)  
Senator Hillary Rodham Clinton (D-NY)  
Senator John Kerry (D-MA)  
Senator Richard Durbin (D-IL)  
Senator Russell Feingold (D-WI)  
Senator Robert Byrd (D-WV)  
Senator Paul Sarbanes (D-MD)  
Senator Evan Bayh (D-IN)  
Senator John Rockefeller (D-WV)  
Senator Herb Kohl (D-WI)  
Senator Blanche Lincoln (D-AR)  
Senator Jon Corzine (D-NJ)